

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

POSTAL RATE BOARD
OFFICE OF THE SECRETARY

STATEMENT BY INTERVENOR UNITED
PARCEL SERVICE PURSUANT TO RULE 92
(September 1, 2000)

United Parcel Service ("UPS") submits the following information in accordance with Commission Rule 92, 39 C.F.R. § 3001.92.

(a) Description of Intervenor

UPS provides prompt, dependable parcel delivery services for the general public. UPS also provides expedited delivery services for documents and parcels.

UPS has specialized in the delivery of parcels since its founding in 1907, beginning as a service for retail stores. In 1922, UPS began to provide parcel delivery service for all types of shippers as a common carrier. Starting in 1953, UPS expanded its service from a small operation in California to one covering increasingly broader areas of the country with door-to-door pickup and delivery service.

Today UPS provides service in all 50 states, the District of Columbia, and Puerto Rico. In addition to its ground services, UPS also offers a number of other services, including a domestic next-day air service, a domestic second-day service, a domestic three-day select service, and international services.

By virtue of its surface, air, and international services, UPS competes with the Postal Service with respect to a number of international services, domestic Express

mail, Priority Mail, Standard (B) Mail, and other package delivery services provided by the Postal Service. The Postal Service handles packages and expedited products as part of First Class Mail, Express Mail, Priority Mail, Standard (A) Mail, and Standard (B) Mail (including Parcel Post). In FY1999, the Postal Service's domestic volume of package and expedited shipments exceeded 4 billion pieces.

In 1999, the approximate number of UPS employees was 344,000, and UPS's fleet consisted of approximately 150,000 vehicles. There are approximately 1.8 million customer locations in the United States at which UPS provides daily pickup service. UPS makes deliveries to millions of consignees each day.

A portion of UPS's stock is publicly traded. Most of UPS's stock is owned by or held for the benefit of its employees and their families, former employees and their estates or heirs, and charitable foundations established by UPS's founders and their family members. UPS's Class B common stock is listed on the New York Stock Exchange.

(b) - (d) Usage of Postal Services

UPS is a large user of First Class Mail and Standard (A) Mail. Its postage payments in 1999 exceeded \$37.4 million. In its mailings to its customers, vendors, shareowners, and employees, UPS primarily uses First Class Mail and Standard (A) Mail.

(e) Financial Impact of Rate Changes

Private enterprise competitors of the Postal Service face greater financial risks than does the Postal Service, and the Postal Service has a number of advantages not available to private enterprises such as UPS. The private enterprise competitors of the

Postal Service include hundreds of national, regional, and local carriers. These private firms compete while carrying the burden of large costs that the Postal Service does not bear, such as federal and state income taxes and vehicle license fees.

(f) Absorption/Avoidance of Rate Changes

Not applicable.

(g) Demand for Postal Services

Not applicable.

(h) Competitor Operations

UPS and the Postal Service both accept packages from the public, transport them to their destinations, and deliver them to consignees. Although UPS's ground parcel delivery services are often compared with Parcel Post, UPS also delivers many packages of the type handled in other classes and subclasses of mail.

UPS has uniform maximum weight and size limits on packages of 150 pounds and 130 inches in length and girth combined. The Postal Service currently has package limitations for Parcel Post of 70 pounds and 130 inches in length and girth combined. Bound Printed Matter has a weight limit of 15 pounds.

(i) Impact of Rate Changes on Users' Suppliers

UPS has no information on this subject.

(j) Statement of Revenues, Volumes, Costs, and Profits

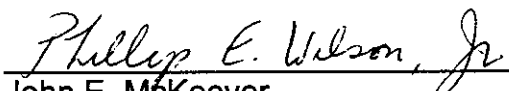
Attachment A is an audited schedule of UPS's revenues, costs (including federal income tax), and net income for the period ended December 31, 1999, and for each of the preceding four years, prepared by the Company's auditors, Deloitte & Touche.

Attachment B is a statement of UPS's annual volumes for each of the five years from 1995 to 1999, inclusive.

(k) Studies of Postal Service Costs,
Operations, Rates, and Rate Structures

UPS has submitted in this docket, through the testimony and exhibits of witnesses Kevin Neels (UPS-T-1, UPS-T-3, UPS-ST-2, and UPS-NOI/POIR-T-1), Stephen E. Sellick (UPS-T-2, UPS-T-4, and UPS-ST-1), Ralph L. Luciani (UPS-T-5 and UPS-ST-2), and David E. M. Sappington (UPS-T-6), analyses of certain Postal Service costs and operations and of certain rates and rate structures. UPS believes that these analyses will help the Commission in evaluating the merits of the Postal Service's proposals in this docket.

Respectfully submitted,



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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Parcel Service, Inc.
Atlanta, Georgia

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of United Parcel Service, Inc. and subsidiaries as of December 31, 1999, 1998, 1997, 1996, and 1995, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the years then ended (none of which are presented herein), and we expressed unqualified opinions on those consolidated financial statements. Our report on the 1999 financial statements, dated January 31, 2000, includes an explanation paragraph related to the merger of United Parcel Service, Inc. and United Parcel Service of America, Inc. in 1999.

In our opinion, the information set forth in the accompanying schedule of consolidated revenue, costs, and net income for each of the five years in the period ended December 31, 1999 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

January 31, 2000

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

SCHEDULE OF CONSOLIDATED REVENUE, COSTS, AND NET INCOME (In Millions)

	Year Ended December 31,				
	1999	1998	1997	1996	1995
Revenue	<u>\$ 27,052</u>	<u>\$ 24,788</u>	<u>\$ 22,458</u>	<u>\$ 22,368</u>	<u>\$ 21,045</u>
Costs (including income taxes)	<u>\$ 26,169</u>	<u>\$ 23,047</u>	<u>\$ 21,549</u>	<u>\$ 21,222</u>	<u>\$ 20,002</u>
Net Income	<u>\$ 883</u>	<u>\$ 1,741</u>	<u>\$ 909</u>	<u>\$ 1,146</u>	<u>\$ 1,043</u>

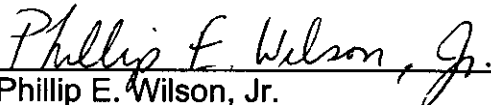
Attachment B

UPS Annual Volumes 1995-1999

<u>Year</u>	<u>Volume (billions)</u>
1995	3.09
1996	3.15
1997	3.04
1998	3.14
1999	3.28

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Commission's Rules of Practice.



Phillip E. Wilson, Jr.
Attorney for United Parcel Service

Dated: September 1, 2000
Philadelphia, Pa.

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